



MINUTES OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

For the meeting held on
February 23, 2010 – 1:00 p.m.
980 9th Street, Conference Center, 2nd Floor
Sacramento, California 95814

Chairwoman Marjorie Berte called the meeting of the California Infrastructure and Economic Development Bank (I-Bank) Board to order at approximately 1:00 p.m.

1. Call To Order and Roll Call.

The following Board members were in attendance:

Marjorie Berte represented Dale E. Bonner, Secretary of the Business, Transportation and Housing Agency.

Cynthia Bryant represented the Director of the Department of Finance.

Francisco Lujano represented the State Treasurer.

Thomas Sheehy, Acting Secretary of the State and Consumer Services Agency.

D. Everett Rice, Governor's appointee, was absent.

The following I-Bank staff members were in attendance:

Stan Hazelroth, Roma Cristia-Plant, Molly Arnold, Paula Connors and Diane Cummings.

2. Executive Director's Report.

Executive Director Stan Hazelroth reported to the Board the following:

- IID Update
 - February 8th I-Bank staff met with the Imperial Irrigation District (IID) Chief Financial Officer, Greg Broeking, and IID Legislative representative, Jack Gualco, to continue work on finalizing a Guarantee Commitment for IID. The District advised staff that it is focusing its energy on appealing the court decision that invalidated the entire Quantification Settlement Agreement, and working with the Legislature to adopt a "reserve account requirement" required for the replenishment mechanism under the I-Bank statutes. The District advised that it would continue discussions with the I-Bank staff later in the Spring.
- Guarantee Trust Fund Investment Review
 - As requested by the Board in December, staff inquired with the State Treasurer's Office and the I-Bank's investment advisor regarding investing monies in the Guarantee Trust Fund in investments other than the State's Surplus Money Investment Fund's Pooled Money Investment Account (PMIA).
 - The Treasurer's Office provided current interest rate data on one month to twelve month Treasury Bills, Certificates of Deposits, Federal Agency Discount Notes and one to six month Commercial Paper.
 - The I-Bank's investment advisor and I-Bank staff reviewed the interest rate data on the various short-term investment options and confirmed that the historical earnings rates of the PMIA exceed the various short-term investments, primarily since the

PMIA's higher earnings yield is due to the longer weighted average maturity of investments in the PMIA, which is approximately 220 days.

- Mr. Hazelroth also confirmed for the Board that remaining invested in the PMIA does not require a change in the law, and given the need for liquidity and safety, staff has determined that the highest yields are expected to be in the PMIA.
- Mr. Sheehy expressed displeasure in the staff's proposal to remain invested in the PMIA. He queried Mr. Hazelroth about whether it was necessary to keep the funds "liquid" over the next year. In response to Mr. Sheehy's questions, Ms. Arnold confirmed that under the existing agreement between the I-Bank and the IID, the I-Bank would be legally obligated to enter into a loan guarantee agreement with IID during the next one year period if, at any time during that period, the District was able to meet its obligations under the preliminary loan guarantee commitment.

Consent Items:

3. Approve minutes from the meeting held on January 26, 2010.

Chairwoman Berte called for questions or comments from the Board and the public. Hearing none, she entertained a motion to approve this consent item. Ms. Bryant moved to approve the minutes and Mr. Lujano seconded the motion. The minutes were unanimously approved.

Action Items:

4. Resolution No. 10-04 approving the sale, issuance and delivery of tax-exempt 501(c)(3) revenue bonds for the benefit of SRI International, a California nonprofit corporation, in an amount not to exceed \$15,000,000 to finance an economic development facility in the City of Menlo Park, California.

Ms. Connors presented a staff report describing the requested financing and reported that SRI International was established in 1946 to conduct research for government, commercial business and nonprofits in the areas of information, communications and engineering technology including pharmaceuticals, biotechnology, chemistry, physics, public policy areas of education, health and economic development. Ms. Connors continued her report stating that SRI will be financing improvements to three buildings on the Menlo Park campus and adding a chiller to the existing cogeneration plant. Improvements to the three buildings include a seismic retrofit for the information computing building, a new state of the art fire management system for safety and modernization of existing laboratories to meet requirements applicable to research facilities, and replacing the original air handling system in the Physical Sciences and Biosciences. Ms. Connors concluded her report explaining that the benefits of the improvements will ensure the safety of SRI's workers and allow the company to continue its research activities in state of the art facilities. She then mentioned that a minor change had been made to Resolution 10-04 that was reflected in the resolutions provided to the Board. Ms. Connors then introduced Byron Rovegno, Controller and treasurer of SRI, Joe Beare, Prager, Sealy & Co., Underwriter, and Brooke Abola, from Orrick, Herrington & Sutcliffe, bond counsel for the project.

Chairwoman Berte called for questions or comments from the Board or the public. Hearing none, she entertained a motion to approve Resolution No. 10-04. Mr. Sheehy moved to approve

the resolution and Ms. Bryant seconded the motion. The Board unanimously approved the resolution.

5. **Resolution No. 10-05 approving the execution of a Master Loan Agreement among City National Bank, as Lender, the California Infrastructure and Economic Development Bank, as Issuer, and Los Angeles Council of American Youth Hostels, Inc. and American Youth Hostels, Inc., jointly as Borrower, for the purpose of loaning an amount not to exceed \$2,850,000 to the Borrower to (a) refinance a tax-exempt California Statewide Communities Development Authority 501(c)(3) Land, Building and Equipment Program Note (Santa Monica International AYH – Hostel Project), Series 2000-1 initially issued for the benefit of the Borrower to finance an economic development facility in the City of Santa Monica, California, and (b) finance additional improvements to that economic development facility.**

Ms. Connors presented a staff report describing the financing request and reported that the hostel has 45 dormitory rooms with 260 beds, laundry rooms, a common kitchen, dining and meeting rooms with a travel center that includes resources and information for budget conscious travelers. Twenty-six people are employed at the facility and stays are limited to 14 days annually. Ms. Connors further outlined the terms of the loan, the purpose of the financing which includes refinancing the previous transaction and improvements to the hostel that include replacing boilers and hot water tanks, refurbish the HVAC and elevator system and replace the roofs on two buildings. Ms. Connors introduced Mr. John Estrada, Executive Director of the LA Council of American Youth Hostels, Dan Bronfman, Growth Capital Associates, financial advisor and Mr. Sam Balisy, bond counsel for the project.

Chairwoman Berte called for questions or comments from the Board and the public. Hearing none, she entertained a motion to approve Resolution No. 10-05. Ms. Bryant moved to approve the resolution and Mr. Lujano seconded the motion. The Board unanimously approved the resolution.

6. **Resolution No. 10-06 approving the substitution of security for, and the extension of the maturity date of the California Economic Development Financing Authority Variable Rate Demand Industrial Development Revenue Bonds, Series 1998 (Scientific Specialties Incorporated Project) initially issued for the benefit of Thurman Street Company, LLC, to finance an economic development facility in the City of Lodi, California.**

Ms. Connors presented a staff report describing the request of Thurman Street Company, LLC to substitute security for and extend the maturity date of the California Economic Development Financing Authority Variable Rate Demand Industrial Development Revenue Bonds, Series 1998 (Scientific Specialties Incorporated Project) that were used to finance an economic development facility in the City of Lodi, California. Ms. Connors explained that in 1998 CEDFA, a predecessor of I-Bank, approved \$2,000,000 for Scientific Specialties in the City of Lodi. The company manufactures rubber and plastic products such as test tubes used in research labs and hospitals. Ms. Connors then gave the Board an overview of the purpose of the amendment, describing the 1998 bonds and that the amendment will extend the maturity date of those bonds by five years, which requires the amendment of the Indenture, Loan Agreement, and

a second supplement to the Official Statement. Ms. Connors introduced Mr. Sam Ballisy, and Kutak Rock, bond counsel for the project.

Chairwoman Berte called for questions or comments from the Board and the public. Hearing none, she entertained a motion to approve Resolution No. 10-06. Mr. Sheehy moved to approve the resolution and Mr. Lujano seconded the motion. The Board unanimously approved the resolution.

7. Resolution No. 10-07 approving Infrastructure State Revolving Fund Program financing for the City of Paramount in an amount not to exceed \$5,500,000 to finance a public development facility in the City of Paramount known as the Water Well #15 Construction Project.

Ms. Cummings presented a staff report describing the financing proposal and that the funds from the loan would finance the design and construction of a new water well and related pumps, motors, valves, controls and communications equipment; the construction of a secondary well head treatment system; and the construction of related storm drain and sewer connections. She further explained that loan proceeds would also be used for the construction, engineering, architectural, design, construction management and I-Bank fees. Ms. Cummings described that the City currently has an allocation of approximately 5,900 acre feet per year of water from the Central Basin, and that the new well will allow the city to pump 100% of its groundwater allocation which will reduce the amount of purchased treated water. Ms. Cummings further explained that the City will reduce the cost of water from \$820 per acre foot of treated water currently purchased from the Central Basin Municipal Water District to \$299 per acre foot for groundwater it pumps itself, which will allow the City to keep future utility costs as low as possible and will aid in the City's business retention and attraction efforts. Ms. Cummings introduced Christopher Cash, the Public Works Director for the City of Paramount.

Chairwoman Berte called for questions or comments from the Board and the public. Mr. Cash responded to a question from Ms. Bryant and explained that the City had an error in its accounting system in the number of users for one of the years reported, but that actual customers did not decline since the City is fully built out.

Chairwoman Berte called for any additional questions or comments from the Board or the public. Hearing none, she entertained a motion to approve Resolution No. 10-07. Ms. Bryant moved to approve the resolution and Mr. Sheehy seconded the motion. The Board unanimously approved the resolution.

8. The following resolutions in relation to prior sales by the I-Bank, for and on behalf of the State of California, to the Golden State Tobacco Securitization Corporation (Golden State), of tobacco settlement assets generated by a Master Settlement Agreement entered into by the Attorney General on behalf of the State:

- (a) Resolution No. 10-08 authorizing the amendments to three existing sales agreements, one initially entered into in 2003, another initially entered into in 2003 and supplemented in 2005 and another initially entered into in 2007 in order to conform to a change in law permitting certain amendments to the Master Settlement Agreement.**

(b) Resolution No. 10-09 authorizing a memorandum of understanding between the I-Bank, Golden State and the Attorney General regarding the process for determining the effect of proposed amendments to the Master Settlement Agreement on holders of certain bonds issued by Golden State.

Ms. Arnold presented a staff report recommending that the Board approve two resolutions in relation to prior sales by the I-Bank, for and on behalf of the State of California, to the Golden State Tobacco Securitization Corporation (Golden State) of tobacco settlement assets generated by a Master Settlement Agreement (MSA) entered into by the Attorney General on behalf of the State. Ms. Arnold explained that both resolutions pertain to the sale of tobacco assets by the I-Bank as the State's agent to Golden State. She provided a summary background report of the MSA and related agreements, a history of tobacco asset secured bonds by Golden State, a description of the current ratings of Golden State's outstanding bonds, and a history of recent statutory changes authorizing amendments to the MSA and related agreements, provided that those amendments did not materially adversely affect holders of the Golden State bonds. She concluded by explaining that the purpose of Resolution 10-08 was to authorize changes to the three existing sale agreements between the I-Bank and Golden State to conform to those recent statutory changes, and that the purpose of Resolution 10-09 was to authorize a memorandum of understanding between the I-Bank, Golden State and the State's Attorney General regarding the process for determining the effect of proposed amendments to the MSA and related agreements. Ms. Arnold introduced Theresa Gunn, staff to the Department of Finance, and staff to Golden State Tobacco Securitization Corporation, Virginia Magan of Orrick, Herrington & Sutcliffe, bond counsel to Golden State, and Dennis Eckhart, Senior Assistant Attorney General.

Chairwoman Berte called for questions or comments from the Board and the public. Mr. Sheehy asked for confirmation that the purpose of approving amendments to the sale agreements and approving the memorandum of understanding prior to the finalization of any changes to the MSA and related agreements was to avoid delays in implementing any MSA and related agreement amendments. Ms. Arnold confirmed that this was the primary purpose of seeking approval of these resolutions at this time.

Chairwoman Berte called for any further questions or comments from the Board and the public. Hearing none, she entertained a motion to approve Resolution No. 10-08 and Resolution No. 10-09. Mr. Sheehy moved to approve the two resolutions and Mr. Lujano seconded the motion. The Board unanimously approved both resolutions.

Other Non-Action Business.

Chairwoman Berte called for any other business; there was none.

Public Comment.

Chairwoman Berte called for any public comment; there was none.

Adjournment.

Chairwoman Berte declared the meeting adjourned at approximately 1:40 p.m.